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The Treasury Note

A monthly newsletter of California municipal finance.
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California Credit Rating Upgraded to A3 by Moody's Investors Service

Citing California's improved economy and tax revenues, Moody's Investors Service (Moody's) raised the State's general obligation bond credit rating from Baa1 to A3 with a positive outlook. In addition, Moody's cited California's improved liquidity position that ensured the repayment of the Revenue Anticipation Warrants (RAWs) on June 16 and the Revenue Anticipation Notes (RANs) on June 23.

Moody's also stated that while California's credit rating has improved, it remains the lowest rated state in the nation, with the budget's structural imbalance being the most significant ongoing fiscal challenge to the State.

Recent Bond Sales

Economic Recovery Bonds

The State sold \$2,977,565,000 in Economic Recovery Bonds (ERBs) on June 14. This final component of the ERBs consisted of the Series 2004 C1-21 variable rate bonds. Series 2004 C1-C9 for \$1,000,000,000 priced at an initial rate of 1.05 percent (Daily Rate) and Series 2004 C10-C21 for \$1,974,565,000 priced at an initial rate of 1.08 percent (Weekly Rate).

The bonds received long-term ratings ranging from Aaa, AAA, and AAA to Aa3, AA-, and A+ from Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively, based on the liquidity

support provided. The bonds received short-term ratings of VMIG 1 from Moody's Investors Service, A-1+ from Standard & Poor's, and F1+ from Fitch Ratings and underlying ratings of Aa3 from Moody's Investors Service, AA- from Standard & Poor's, and A+ from Fitch Ratings.

The State sold the ERBs, approved by voters in the March 2, 2004 primary election as Proposition 57, in two components. The first component consisted of \$7.9 billion in Series 2004 A/B fixed rate bonds that sold on May 5, 2004.

General Obligation Bond

The State sold \$497,695,000 in general obligation bonds in a competitive sale on June 17. Merrill Lynch & Co. won the bid with the lowest true interest cost (TIC) of 4.805 percent. The sale received additional bids from Banc of America Securities LLC; Citigroup Global Markets, Inc.; and Lehman Brothers.

The three major rating agencies, Moody's Investors Service, Standard & Poor's, and Fitch Ratings, rated the bonds A3, BBB, and BBB respectively.

Approximately \$215,295,000 of bond proceeds from the sale will fund construction of K-12 and higher education school facilities; the seismic retrofit of state-owned highways, bridges, and toll bridges; passenger rail projects; clean water programs; and fish and wildlife habitat programs. The remaining \$282,400,000 in proceeds will be used to refund selected maturities of outstanding state general obligation bonds.

Redemptions & Defeasances

Please visit our website at www.treasurer.ca.gov/Bonds/redemptions/redemptions.asp or contact *Bondholder Services* at (800) 900-3873 for up to date redemption and defeasance information.

What's on Our Website

A wealth of information is available to investors on our website including: future bond sales, the State's current and historical credit ratings, a comparison of the State's credit ratings to other states, credit rating definitions, a redemptions and defeasance search screen, a listing of recent bond sale appointments, preliminary official statements (when applicable), links to California's important financial documents, and much more valuable investor information. Just visit our website at: www.treasurer.ca.gov

Information & Assistance

To receive *The Treasury Note* newsletter monthly or for bond related questions contact Investor Relations at (800) 900-3873.

Submitting Bonds for Payment

To complete a transfer or payment transaction please submit securities and documentation according to your chosen method of delivery:

By United States Postal Service

(Registered mail with return receipt recommended)
The Bank of New York
Attention: Fiscal Agency Department
P.O. Box 11265
New York, NY 10286

By Physical or Overnight Courier Service (e.g.: Airborne, FedEx, UPS, etc.)

The Bank of New York
Corporate Trust Window
101 Barclay Street, 7E
New York, NY 10286

To contact the Bank of New York directly for customer service or account information please call (800) 548-5075 or (800) 438-5473. Please have your CUSIP number available when calling.

For information on walk-in bond presentation at the State Treasurer's Office in Sacramento, please contact *Bondholder Services* at (800) 900-3873.

Bond Sales Calendar¹

If you are interested in purchasing any of the bonds listed below, please contact your broker two weeks before the sale date. For up to date information, check our website (www.treasurer.ca.gov) or contact *Investor Relations* at (800) 900-3873.

Proposed Bond Sale	PAR Amount	Sale Date
California Infrastructure & Economic Development Bank (I-Bank): California Insurance Guaranty Association (CIGA)	\$700 million	Summer 2004
Public Works Board: UC Regents Various Projects	\$585-755 million	Fall 2004

¹Subject to change; the ultimate amounts and sale dates can be affected by legal, market, and other factors.
